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Income Inequality in Thailand in the 1980s*

Yukio IKEMOTO**

I Introduction

The Thai economy experienced two different phases in the 1980s in terms of the business cycle. In the first half of the decade, the econmic growth rate decreased, accompanied by an increase in poverty incidence, especially in rural areas, and a worsening distribution of income. In the latter half of the 1980s, the Thai economy recovered from recession, experiencing a high growth rate and undergoing structural change. In this process a new "middle class" emerged. This class is reported to have participated actively in the democratic movement of May 1992. It owns passenger cars, mobile telephones, etc. and earns more than ten thousand baht per month. Did the emergence of this class affect income inequality and, if so, was the result an increase or a decrease? It is generally believed that income inequality worsened because the high economic growth benefitted the higher income class much more than the lower income class. But some studies do not support this view. Oshima stated that "the Gini has come down sharply, from 0.50 in 1986 to 0.43 in 1988" [Oshima 1991: 134]; and Hutaserani and others showed that income distribution became more equal from 1986 to 1988 if measured by per capita household income. Here is one of the discrepancies in the study of income distribution. Fortunately, the Report of the Socio-Economic Survey (SES),[1] which includes the only data that can be used to measure income inequality, is now available for the year 1981, 1986 and 1988, and these data will be employed here to discuss some of the discrepancies in the study of income distribution.

First, income distribution is shown to have become more unequal if measured by household income. Thus there is a discrepancy between the distribution of household income and that of per capita household income. Theoretically, per capita household income is a superior indicator to household income because it eliminates the effect of household size and reflects the welfare level of household more accurately. But it seems that the distribution of household income reflects more closely what is generally perceived than that of per capita household income. This paper also discusses why such a discrepancy occurs from the viewpoint of occupational group; and examines the so called "middle income class," which emerged after the

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1) Since the reports of the Socio-Economic Survey do not show the year of publication, they are treated here as being published in the same year as the survey.

rapid economic growth in the latter half of the 1980s and was reported to have taken an active part in the recent democratic movement. Contrary to the impression given by the word "middle," it is shown that this class belongs to the top decile. Even though it may be "middle" in the urban area, the urban sector is small with a high concentration of the higher income class.

Section III explores income gap between regions. It points out that the discrepancy between household income and per capita gross regional product (GRP) has become increasingly problematic. This is another discrepancy in the study of income distribution in Thailand.

Section IV takes up the impact of migration between Bangkok and other regions and between rural and urban areas. By taking migration into consideration, we can explain some aspects of income distribution and poverty more consistently.

The last section discusses whether income inequality in Thailand really decreased and whether Thailand has already passed the turning point of the Kuznets' inverted-U-shape hypothesis.

II Income Inequality

A. Income Inequality by Per Capita Household Income

It is generally recognized that income distribution became more unequal in the first half of the 1980s. This is affirmed both by studies based on per capita household income and by those based on household income. Table 1 shows the distribution of population by per capita household income. From 1981 to 1986 only the top (or richest) 20 percent of population gained in income share, from 51.5 percent to 55.6 percent, while the lower income groups suffered a loss of income share.[2] As a result the Gini coefficient increased very rapidly from 0.453 to 0.500, which means that income inequality worsened considerably.

Table 1 Income Distribution by Per Capita Household Income

Population group	1975	1981	1986	1988
Top quintile	49.3	51.5	55.6	55.0
Highest top decile	33.4	35.4	39.2	37.9
Second top decile	15.9	16.0	16.5	17.1
2nd quintile	21.0	20.6	19.9	20.3
3rd quintile	14.0	13.4	12.1	12.2
4th quintile	9.7	9.1	7.9	8.0
Bottom quintile	6.1	5.4	4.6	4.5
Second bottom decile	3.6	3.3	2.8	2.7
Lowest bottom decile	2.4	2.1	1.8	1.8
Gini Coefficient	0.426	0.453	0.500	0.478

Source: [Hutaserani and Tapwong 1990: 8a].

2) The works of [Hutaserani and Tapwong 1990] and [Bhongmakapat 1990] refer to the survey years as 1980/81, 1985/86 and 1988/89. Here, they are referred to simply as 1981, 1986 and 1988, because the survey periods are from February 1981 to January 1982, February 1986 to January 1987 and February 1988 to November 1988, respectively.

What was worse, this income inequalization involved a decrease in income level in the lowest quintile or the poorest 20 percent of people. Their average per capita household income decreased from 2,412 baht per year in 1981 to 2,280 baht in 1986 [Hutaserani and Tapwong 1990: 9a]. With inflation, their real income obviously decreased even more than this. Accordingly the proportion of poor households with an income below the poverty line increased from 23.0 percent to 29.5 percent in the same period (Table 2).[3] This was mainly caused by stagnant agricultural production due to deteriorating crop prices and two droughts in this period [*ibid.*: 4]. During this period the crop prices declined nearly by 20 percent which hit the agricultural sector hard and therefore the poverty group.

For the period between 1986 and 1988, it is not clear whether income inequality increased or not. It is generally believed that income inequality worsened because the modern sector

Table 2 Poverty Incidence between 1981 and 1988

Region	1981	1986	1988
Whole Kingdom	23.0	29.5	23.7
Villages	27.3	35.8	29.4
Sanitary districts	13.5	18.6	13.2
Municipal areas	7.5	5.9	6.7
North	21.5	25.5	23.2
Villages	23.3	27.7	25.1
Sanitary districts	16.2	20.2	18.7
Municipal areas	8.0	6.9	11.3
Northeast	35.9	48.2	37.5
Villages	37.9	50.5	39.9
Sanitary districts	20.8	33.3	20.1
Municipal areas	18.0	18.7	19.0
Center	13.6	15.6	16.0
Villages	14.2	17.4	19.0
Sanitary districts	11.6	11.4	6.4
Municipal areas	11.7	8.9	8.4
South	20.4	27.2	21.5
Villages	22.2	31.2	24.0
Sanitary districts	6.8	8.1	11.5
Municipal areas	15.2	8.6	11.8
Bangkok	3.9	3.5	3.4
City core	3.7	3.1	3.3
Five vicinity provinces			4.3
Villages			4.1
Sanitary districts			3.0
Municipal areas		6.1	10.8

Source: [Hutaserani and Tapwong 1990: 11a].

3) In Table 2 the poverty incidence indicates the head count ratio, which is defined as the proportion of poor households with incomes below the poverty line income in all households.

benefitted more than other sectors from the recovery of the Thai economy. But contrary to this, studies based on the distribution of population by per capita household income indicate that income inequality decreased between 1986 and 1988, as shown in Table 1. That is, the Gini coefficient decreased from 0.500 to 0.478.[4] Hutaserani and Tapwong mentioned this phenomenon as "a slight decline in income inequality lately" [*ibid.*: 7] and attributed it to "the recovery from the worldwide recession" [*ibid.*: 9].

They showed that this decrease in income inequality was brought about by the increasing income share of the higher income class, rather than that of the lower income class. According to the results of Hutaserani and Tapwong [*ibid.*] and Bhongmakapat [1990], both of which rely on the same estimates, those groups whose income share decreased are the top (or richest) 10 percent and the lowest (or poorest) 20 percent of the population; and those who gained are the second highest 10 percent (second decile),[5] whose share increased from 16.5 percent to 17.1 percent, and the second quintile, whose share increased from 19.9 percent to 20.3 percent (Table 1). The third and fourth quintiles gained a little. This change seems to correspond to the argument of the skewness of the Lorenz curve, which insists that as an economy develops the shape of the Lorenz curve changes so that the income share of the middle income class may increase.[6] The middle income class may correspond to the second decile.[7]

An interesting question relating to this change is whether the second decile corresponds to the "middle income class," which emerged after the rapid economic growth in the late 1980s. Therefore we now investigate the socio-economic characteristics of higher income classes in order to identify the "middle income class." As the higher income classes, we shall examine the top 30 percent of households, or from the top to the third decile, this being broad enough to contain the "middle income class," which will become clear later. Table 3 shows the regional distribution of households for these three deciles as well as all households. As might be expected, the top decile concentrated in Bangkok and has become increasingly so, with Bangkok's share of such household rising from 28.8 percent in 1981 to 40.6 percent in 1986 and to 46.5 percent in 1988. At the same time, Bangkok's share of all households is only between 13 and 16 percent. The concentration of richer households in Bangkok is also demonstrated by the fact that in 1988, nearly 80 percent of households in Bangkok belonged to the top 30 percent of households in the whole kingdom and nearly 40 percent of households in Bangkok belonged

4) The result is the same if we estimate the Gini coefficients using the data of distribution of households, not population, by per capita household income. The Gini coefficients are 0.475, 0.499 and 0.478 in 1981, 1986, 1988, respectively. These figures are estimated by the author based on [NSO *1981, 1986, 1988*].

5) Decile groups are here ordered from top to bottom. The top decile indicates the richest 10 percent of population or households, depending on whether income distribution is viewed as the distribution of population by per capita household income or the distribution of households by household income. The second decile indicates the second richest 10 percent of population or households after the top decile, and so on.

6) On the skewness of the Lorenz curve, see [Ikemoto 1991: 75–78].

7) The "middle income class" relating to the Lorenz curve is not necessarily the same as that which emerged in the latter half of the 1980s.

Table 3 Distribution of Households of Higher Income Class in Terms of Per Capita Household Income by Region

(%)

	Whole Kingdom	Bangkok	Center	North	Northeast	South
Top decile						
1981	100.0	38.8	22.2	16.3	10.5	12.2
1986	100.0	40.6	18.8	16.2	12.2	12.3
1988	100.0	46.5	16.1	16.3	11.1	10.0
Second decile						
1981	100.0	32.1	24.5	18.4	14.7	10.4
1986	100.0	35.3	19.2	17.6	13.6	14.4
1988	100.0	38.3	19.7	15.5	15.8	10.7
Third decile						
1981	100.0	24.1	36.1	20.3	17.1	12.3
1986	100.0	24.9	23.9	23.2	14.1	13.9
1988	100.0	28.3	22.7	21.1	14.4	13.5
All households						
1981	100.0	13.1	19.4	22.1	32.6	12.8
1986	100.0	14.3	19.2	21.5	32.0	13.1
1988	100.0	16.2	18.8	21.7	30.7	12.6

Source: Calculated from [NSO *1981*, *1986*, *1988*].

Note: For simplicity the income intervals for decile groups are approximated as follows:

(Baht/month)

Year	Top decile	Second decile	Third decile
1981	2000 and over	1250 – 1999	1000 – 1249
1986	2000 and over	1250 – 1999	1000 – 1249
1988	2500 and over	1500 – 2499	1250 – 1499

Note: Per capita household income.

to the top 10 percent of households in the whole kingdom. In other words, about 800,000 households or about 2.5 million people in Bangkok belong to the top decile of the whole kingdom.[8] Their number is too large to call them the "rich class." Later it will be shown that the top decile includes not only the rich but also the "middle income group." Bangkok thus dominates the higher income class, and we need investigate the case of Bangkok in detail in order to clarify the characteristics of the higher income class.

On the other hand, only 11 percent of households in the top decile are located in the Northeast, which has more than 30 percent of all households. This indicates that lower income households are concentrated in the Northeast and that a large income gap exists between regions, especially between Bangkok and the Northeast.

Now we turn to the occupation of household heads of the higher income class. Table 4 shows the distribution of households by occupation of household heads for the top, second and

8) This figure is based on [NSO *1988*]. The number of households shown in [NSO *1986*] seems to be too low for 1986 and might have been revised upward to give the 1988 figure shown in [NSO *1988*].

Table 4 Distribution of Households of Higher Income Classes in Terms of Per Capita Household Income by Occupation of Household Head: 1986, 1988

(%)

	All households		Decile: Top		Second		Third	
	1986	1988	1986	1988	1986	1988	1986	1988
A. Whole Kingdom								
All households	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Farm operators								
Mainly owning land	35.8	34.2	5.5	7.3	12.4	12.7	22.2	19.0
Mainly renting land	7.7	6.7	1.5	1.9	2.5	3.1	4.0	6.1
Entrepreneurs, trade & industry	13.9	13.1	19.7	17.3	23.1	19.7	19.2	21.4
Employees								
Professional, tech. & adm.	5.6	5.8	28.6	27.4	12.6	14.5	4.5	6.9
Farm workers	6.6	6.6	0.4	0.4	2.1	1.3	3.5	2.9
General workers	4.4	3.9	0.8	0.1	1.3	0.6	3.1	1.2
Clerical, sales & services	8.8	10.2	21.7	22.0	19.6	21.5	15.7	17.5
Production workers	9.2	9.7	10.6	11.0	16.2	13.7	13.8	13.8
Economically inactive	7.8	9.8	12.6	12.6	9.4	12.7	13.9	11.2
B. Bangkok								
All households	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Farm operators								
Mainly owning land	1.7	0.5	0.5	0.7	0.8	0.1	1.3	0.0
Mainly renting land	1.8	0.9	0.4	0.2	0.8	0.2	1.4	0.4
Entrepreneurs, trade & industry	20.9	20.3	18.9	15.3	23.1	24.5	20.3	20.0
Employees								
Professional, tech. & adm.	8.1	9.9	17.4	21.0	5.1	5.3	2.9	2.0
Farm workers	2.0	0.8	0.0	0.2	0.8	0.9	1.4	0.3
General workers	2.7	1.0	1.8	0.2	1.6	0.5	4.0	0.0
Clerical, sales & services	26.9	34.3	29.9	35.9	30.6	35.0	28.7	39.7
Production workers	25.4	21.7	18.1	14.8	28.9	21.6	26.1	29.9
Economically inactive	10.3	10.5	12.7	11.8	8.5	11.9	13.8	7.8

Source: Calculated from [NSO *1986, 1988*].
Note: For the income intervals for decile groups, see note to Table 3.

third deciles as well as all households in the whole kingdom and Bangkok in 1986 and 1988. The largest group in the top decile in the whole kingdom is "professional, technical and administrative workers" whose share is as high as 27.4 percent in 1988. In the second decile their share is much lower, only 14.5 percent in 1988. This means that this occupational group is highly concentrated in the highest income class and that people in this group are highly likely to be in the higher income class. Between 1986 and 1988, their share in the top decile decreased from 28.6 percent to 27.4 percent while those in the second and third deciles increased from 12.6 percent to 14.5 percent and from 4.5 percent to 6.9 percent. These changes suggest that some households of this group in the top decile suffered losses in relative terms and

dropped to the lower deciles in this period. This is one of the factors that explain the increase in income share of the second decile. This is reflected in the average household income (Table 5).[9] Their income relative to the national average, taken as 100, remained stable at 234 and 235 in 1986 and 1988, respectively. This result is surprising, because the rapid economic growth in the latter half of the 1980s greatly increased the demand for and salaries of this group. The lower growth rate in income of the group may be because it contains a large number of government officials whose income increased less rapidly, resulting in a wider income gap within the group.

Table 5 Average Household Income by Occupation of Household Head

	Average household income (baht/month)		Relative income (Whole Kingdom=100)	
	1986	1988	1986	1988
A. Whole Kingdom				
All households	3,631	4,106	100	100
Farm operators				
Mainly owning land	2,449	2,825	67	69
Mainly renting land	2,226	3,056	61	74
Entrepreneurs, trade & industry	5,367	5,773	148	141
Employees				
Professional, tech. & adm.	8,500	9,649	234	235
Farm workers	1,827	2,011	50	49
General workers	1,989	2,050	55	50
Clerical, sales & services	5,521	5,830	152	142
Production workers	3,989	4,202	110	102
Ecocnomically inactive	3,684	4,031	101	98
B. Bangkok				
All households	6,922	8,179	100	100
Farm operators				
Mainly owning land	4,594	6,965	66	85
Mainly renting land	3,983	4,191	58	51
Entrepreneurs, trade & industry	8,185	9,098	118	111
Employees				
Professional, tech. & adm.	12,572	17,283	182	211
Farm workers	2,871	4,266	41	52
General workers	3,995	4,460	58	54
Clerical, sales & services	6,909	7,564	100	92
Production workers	4,935	5,205	71	64
Economically inactive	7,404	6,949	107	85

Source: [NSO *1986, 1988*].

9) In fact we should use the average per capita household income rather than the average household income. Since such data are not available in the Report of the Socio-Economic Survey, we use the latter as an approximation. This will not cause serious mistakes.

If we look only at Bangkok, the picture is entirely different. In Bangkok, this group's share in the top decile increased considerably from 17.4 percent in 1986 to 21.0 percent in 1988. This increase occurred by upward movement from the lower deciles, corresponding to the decrease in the third decile from 2.9 percent to 2.0 percent, and by the new entries into this group, corresponding to the increase of its share in all households from 8.1 percent to 9.9 percent. As a result the group's average household income increased very rapidly from 12,572 baht to 17,283 baht, an increase of about 40 percent (Table 5). These changes mean that this occupational group is emerging in the higher income class. It has benefitted from the economic boom in the latter half of the 1980s because of the high demand for its services. That part of this occupational group that lives in Bangkok, occupies the top decile, and enjoyed a rapid rise in income is included in the so-called emerging "middle income class." At the same time, those who dropped into the second decile in the kingdom overall were located in regions other than Bangkok and enjoyed less advantageous conditions. In this sense, the gap between Bangkok and other regions widened even in this occupational group. It may be said, therefore, that those in this occupational group occupying the second decile is not the emerging "middle income class" but the traditional "middle income class."

The second largest group in the higher income class in the whole kingdom consists of "clerical, sales and services workers" and accounted for about 20 percent of the top and second deciles in 1986 and 1988. As in the case of "professional, technical and administrative workers," their share in the top decile did not increase significantly in the whole kingdom, but in Bangkok it increased very rapidly from 29.9 percent to 35.9 percent. Again, this occupational group benefitted much more in Bangkok than in other regions.

Unlike the "professional, technical and administrative workers," this occupational group is distributed widely from the higher to the lower income classes. Because of this, it is very difficult to distinguish the middle income class from other classes. But at least we can say that the expansion of this group was accompanied by an upward shift even in the lower income class and contributed to an increase in the group's income share in the second and third deciles and, therefore, to a decrease in income inequality. Even though the average household income in this group decreased relative to the national average both in the whole kingdom and in Bangkok (Table 5), this was because the proportion of households in the lower deciles increased more rapidly, perhaps due to new entries into these occupations, and it does not mean that the group suffered any loss.

In contrast, the share of "entrepreneurs engaged in trade and industry" in the top and second deciles in the whole kingdom decreased from 19.7 percent to 17.3 percent and from 23.1 percent to 19.7 percent, respectively, from 1986 to 1988. For the top decile in Bangkok, the decrease is also considerable, from 18.9 percent in 1986 to 15.3 percent in 1988. This means that the higher income class of this group lagged behind the emerging "middle income class" in terms of growth rate of income. Thus this group may represent the old type of high and middle income class. This does not preclude from this group entrepreneurs engaged in modern, large-scale and formal enterprises who belong to the rich and middle income classes. Their presence

might have prevented the average income of this occupational group from decreasing rapidly (Table 5). But majority of this group engage in traditional, small-scale and informal enterprises and experienced a fall in income class. Therefore, this group contributed to an increase in the income share of deciles below the top one and, therefore, to a decrease in income inequality.

"Production workers" accounts for a considerable portion of the top decile, about 11 percent, in the whole kingdom, even though their average income is only about the same level as the national average. From 1986 to 1988 their share in total households remained stable at 11 percent for the whole kingdom and decreased from 18.1 percent to 14.8 percent for Bangkok. Thus this group was less advantaged and less likely to constitute the emerging "middle income class."

"Farm operators mainly owning land" increased their household share in the top decile, from 5.7 percent to 7.3 percent, but not in the second and third deciles. Thus as far as the higher income classes are concerned, the recovery of agriculture in 1988 contributed more to the highest income class than to the other income classes. But, in contrast, the lower income classes of "farm operators mainly renting land" benefitted more than the higher. In terms of average household income, "farm operators mainly owning land" gained slightly relative to the national average but "farm operators mainly renting land" gained much more. Thus, the recovery of agriculture affected the income of farm operators and the income distribution in a complex manner, and therefore more detailed analysis is required on this point.

So far our results suggest that the emerging "middle income class" is mainly constituted by "professional, technical and administrative workers" and a part of "clerical, sales and services workers," and that it is included in the top decile and located especially in Bangkok. On the other hand, "entrepreneurs engaged in trade and industry" moved downward in income class and contributed to an increased income share of deciles below the top one and, therefore, to decreased income inequality. Those "clerical, sales and services workers" who moved upward from the lower income classes also contributed to the equalization of income distribution. The effect of the recovery of agriculture on income distribution appears to be less straightforward than it is usually perceived to be.

The distribution of national income also partly supports this finding of equalization between 1986 and 1988. Generally speaking, changes in income inequality are reflected in the distribution of national income. For example, from 1981 to 1986 the share of farm income in national income decreased rapidly from 20.2 percent to 14.7 percent due to stagnant agricultural production, and this exacerbated income inequality and poverty incidence (Table 6). On the other hand, the share of compensation of employees rose from 33.3 percent to 38.2 percent. This phenomenon of replacement of farm income by compensation of employees has continued since the 1970s. This phenomenon itself does not directly indicate the direction of change in income inequality because there are various causes for this change. For example, if employees' wages are higher than farmers' incomes and people leave farming to take up employment, both their income level and income distribution will be improved. In contrast, if agricultural conditions deteriorate to the point that farmers are forced to become employees, income

Table 6 Distribution of National Income (%)

	1981	1986	1988	1990
Compensation of employees	33.3	38.2	37.0	38.8
Income from unincorporated enterprises	54.2	46.6	49.9	48.3
Farm income	20.2	14.7	16.2	11.8
Non-farm income	34.0	32.0	33.7	36.5
Income from property	12.1	14.8	12.8	12.5
Rent	6.7	6.8	6.2	5.6
Interest	4.9	7.5	5.7	5.5
Dividends	0.4	0.5	0.9	1.2
Corporated transfer payment	0.1	0.1	0.1	0.1
Current Transfer payment	0.4	0.4	0.3	0.4
From general government	0.2	0.1	0.2	0.2
From the rest of the world	0.2	0.3	0.2	0.2
Current income	100.0	100.0	100.0	100.0

Source: Calculated from unpublished data of NESDB.

distribution will worsen. In the former case, a pulling factor is dominant; in the latter a pushing factor. It is also possible for the levels of wage and farm income to change without the employment structure changing, which will be a case of inequalization if the wage level is higher than farm income. This seems to be the case in Thailand, where Bhongmakapat mentioned that "the worsening of income distribution . . . was mainly due to the slow relative change in employment structure" [Bhongmakapat 1990: 15]. These differences should be taken into consideration in relating national income statistics with income distribution. In the first half of the 1980s the agricultural sector was depressed and the pushing factor was dominant, and income inequality consequently worsened.

The recovery of crop prices in 1987 and 1988 was a factor in the equalization of income distribution at that time, as it was in the early 1970s.[10] From 1986 to 1988 the share of farm income in national income increased from 14.7 percent to 16.2 percent, while the share of income from property decreased from 14.8 percent to 12.8 percent. These changes support the conclusion of equalization of income distribution from 1986 to 1988, because the former increases the income of lower income class while the latter decreases the income of higher income class. The changes in the factors "compensation of employees" and "non-farm income of unincorporated enterprises" appears to be inconsistent with those in household income by occupational group shown in Table 5. However, this apparent inconsistency may be due to the fact that the latter does not take the household share into consideration. This difference should be kept in mind.

If the equalization from 1986 to 1988 is real, it appears likely that Thailand had by that time passed the turning point of Kuznets' inverted-U-shape curve, which represents an increase in income inequality in the early stages of economic development and a decreases in later stages.

10) For the equalization of income distribution in the early 1970s, see [Ikemoto 1991: Chapter 2].

This view is adopted in the Seventh National Economic and Social Development Plan (1992–96), though it is not claimed that Thailand has passed the turning point. That is, "in the transitional period from agricultural economy to industrialized one income inequality will increase but after the transitional period is over the income inequality will decrease if suitable distributional policies are adopted" [NESDB 1992: 125]. If this hypothesis is true, does the result of equalization indicate that Thailand has passed the turning point and is now in the phase of decreasing income inequality? It has been predicted that Thailand would pass the Kuznets' turning point in the latter half of the 1990s [Sussangkarn *et al.* 1988: Chapter 2]. But did the rapid economic growth in the latter half of the 1980s accelerate this process? Before we answer this question, we shall check the trend of income inequality in the terms of the distribution of households by household income.

B. Income Inequality by Household Income

Even though research based on per capita houehold income indicates that income distribution became more equal from 1986 to 1988, many people still believe that income inequality has been worsening. Even Bhongmakapat, whose analysis pointed to equalization, referred to it only briefly as "a slight improvement in 1988/89" [Bhongmakapat 1990: 9] and rather emphasized the tendency toward inequality. He commented:

> it is thus quite convincing to say that Thai economic development has consistently served the top 10–20 percent richest households, but not the bottom 10–20 percent poorest ones. . . . It is anticipated that, with the strong dynamism of present economic boom, the income gap would have worsened remarkably. [*ibid.*: 12]

The Seventh Plan mentioned that in the past the income gap in various aspects, for example, within urban areas, between urban and rural areas, between Bangkok and other regions, increased.[11)]

It may be true that the "middle income class" grew with the rapid expansion of the modern sector in recent years. Due to the shortage of skilled labor, their income level increased rapidly; and this group may constitute an emerging "middle income group." But this group probably belongs to the top decile, as shown in the previous section. Furthermore, though the distribution of per capita household income shows a decrease in the income share of the top decile, many people still believe that the richest group gained much more than the emerging "middle income group," because in this period the non-agricultural sector recovered and expanded rapidly, and there were also many opportunities for speculation, for example, in land and stock. Relative to the national income, the share of non-farm income of unincorporated enterprises also increased (Table 6), which complicates the trend of income inequality in this period. Herein lies the difference from the equalization of the early 1970s, when this remained stable.

11) See [NESDB 1992: 125].

In general, income inequality varies according to the inequality index and the income concept used. Therefore, we shall here estimate income distribution by using data on the distribution of households by household income, rather than the distribution of population by per capita household income as in the previous section. Contrary to the per capita household income, the distribution of household income indicates that income inequality worsened from 1986 to 1988.

It is generally accepted that per capita household income is, theoretically, a superior indicator to household income because it eliminates the effect of household size. But the data on household income have the advantage of being available for a longer period for the study of income distribution in Thailand. They cover the period from 1962, while the per capita data are available only from 1975. This is why Ikemoto [1991] adopted the series of data on distribution of household income. An impotrtant difference resulting from the difference in coverage is that the per capita household income data do not show the equalization of income distribution in the first half of the 1970s. From 1975 to 1986, however, there is little difference whichever we may choose, because the distribution of household income and that of per capita household income are consistent with each other and show the same trend of income inequality.[12] But for the period from 1986 to 1988 we face an inconsistency. That is, household income indicates worsening income inequality while per capita household income indicates the contrary.

Table 7 shows income distribution by household income in the 1980s. The Gini coefficient of household income increased from 0.437 in 1981 to 0.470 in 1986 and to 0.479 in 1988, thus

Table 7 Income Distribution by Household Income

Household decile	Mean monthly household income (Baht)			Income share (%)		
	1981	1986	1988	1981	1986	1988
Top	11,758	14,584	17,368	34.1	38.6	39.7
2nd	5,619	5,696	6,482	16.3	15.1	14.8
3rd	4,131	4,231	4,805	12.0	11.2	11.0
4th	3,287	3,370	3,821	9.5	8.9	8.7
5th	2,680	2,755	3,119	7.8	7.3	7.1
6th	2,205	2,269	2,566	6.4	6.0	5.9
7th	1,802	1,857	2,097	5.2	4.9	4.8
8rd	1,440	1,485	1,674	4.2	3.9	3.8
9nd	1,082	1,118	1,258	3.1	3.0	2.9
Bottom	451	466	523	1.3	1.2	1.2
All	3,445	3,783	4,371	100.0	100.0	100.0
Gini coefficient	0.437	0.470	0.479			

Source: Ikemoto and Limskul [1987] for 1981.
For 1986 and 1988, estimated from NSO [*1986, 1988*].

12) For the relationship between household income and per capita household income, see Chapter 6 of Ikemoto [1991].

indicating a rapid inequalization from 1981 to 1986, which is consistent with the per capita household income, and a slight inequalization from 1986 to 1988, which is inconsistent with the per capita household income.

Our result includes some adjustments for the lower and higher income classes, because these groups tend to under-report their income. This adjustment, however, does not alter the trend of income inequality. Estimated from the original data, the Gini coefficients are only slightly lower, at 0.431, 0.465 and 0.474 for 1981, 1986 and 1988, respectively. Thus it is concluded that income distribution became more unequal from 1986 to 1988 if it is measured by household income.

Table 7 reveals that income share increased only for the top decile, from 38.6 percent to 39.7 percent, and decreased for all other deciles, even though the mean income of every decile group increased. This indicates that the rapid economic growth in the latter half of the 1980s raised the income level of every decile group considerably, but that those most benefitted were the richest 10 percent. And this is consistent with the general belief.

Methodologically, the discrepancy between household income and per capita household income is caused by differences in household size, because per capita household income is obtained by dividing household income by household size. Statistically, there is a tendency for household size to increase as income level increases [*ibid.*: 117], which means that a higher income level is partly the result of a larger number of income earners in the household. This does not necessarily mean, however, the distribution of per capita household income is more equal than that of household income, as is shown in Tables 1 and 7.[13] Also, the rich households in terms of household income tend also to be rich in terms of per capita household income. Only in very rare cases does a household fall in the richest 20 percent of households in terms of household income but in the poorest 60 percent in terms of per capita household income, or vice versa [*ibid.*: 126]. Keeping these facts in mind we shall examine the above discrepancy further.

Table 8 shows the distribution of households in the higher income classes in terms of household income by occupational group. This differs from the distribution of per capita household income shown in Table 4 in that the top decile includes a larger share of farm operators and entrepreneurs, and a smaller share of "professional, technical and administrative workers" and "clerical, sales and services workers." For example, the share of entrepreneurs in the top decile in 1988 is 22.1 percent by household income and 17.3 percent by per capita household income. In the second and third deciles, this reversed. In other words, the households of enterpreneurs and farm operators tend to fall in the higher income class while those of "professional, technical and administrative workers" and "clerical, sales and services workers" tend to fall in the lower income class when classified by household income. This tendency results from the fact that the average household sizes of enterpreneurs (4.1 persons) and farm operators (4.5) are larger than that of "professional, technical and administrative

13) For comparison of per capita household income and household income, see [Ikemoto 1991: 116–128].

Table 8 Distribution of Households of Higher Income Classes in Terms of Household Income by Occupation of Household Head: 1986, 1988

(%)

	All households		Decile: Top		Second		Third	
	1986	1988	1986	1988	1986	1988	1986	1988
A. Whole Kingdom								
All households	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Farm operators								
Mainly owning land	35.8	34.2	9.8	10.4	16.3	14.7	26.2	25.6
Mainly renting land	7.7	6.7	1.7	2.7	3.3	3.9	4.0	5.7
Entrepreneurs, trade & industry	13.9	13.1	24.0	22.1	23.8	21.6	19.7	19.2
Employees								
Professional, tech. & adm.	5.6	5.8	25.9	25.8	15.2	17.5	7.5	7.5
Farm workers	6.6	6.6	0.9	0.4	0.9	1.4	3.2	2.4
General workers	4.4	3.9	0.2	0.2	2.2	0.6	2.5	1.2
Clerical, sales & services	8.8	10.2	19.3	19.9	18.5	18.6	16.3	16.7
Production workers	9.2	9.7	9.3	9.0	13.1	12.8	14.4	13.1
Economically inactive	7.8	9.8	8.4	9.5	6.3	8.8	6.0	8.6
B. Bangkok								
All households	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Farm operators								
Mainly owning land	1.7	0.5	0.8	0.4	1.1	0.4	1.8	0.8
Mainly renting land	1.8	0.9	0.7	0.2	0.9	0.9	1.8	0.2
Entrepreneurs, trade & industry	20.9	20.3	24.4	22.8	24.2	23.0	23.1	23.1
Employees								
Professional, tech. & adm.	8.1	9.9	17.1	23.0	7.0	6.7	4.3	2.0
Farm workers	2.0	0.8	0.0	0.0	0.3	1.6	1.8	0.6
General workers	2.7	1.0	0.1	0.4	5.1	0.2	1.2	1.5
Clerical, sales & services	26.9	34.3	31.2	34.4	27.6	37.9	27.6	35.8
Production workers	25.4	21.7	15.1	10.8	23.0	20.4	31.6	25.6
Economically inactive	10.3	10.5	10.5	7.7	10.6	8.9	6.5	10.2

Source: Calculated from [NSO *1986, 1988*].

Note: For simplicity, the income intervals for decile groups are approximated as follows:

(Baht/month)

Year	Top decile	Second decile	Third decile
1986	7000 and over	5000 – 6999	3500 – 4999
1988	8000 and over	6000 – 7999	4000 – 5999

Note: Household income.

workers" (3.5) and "clerical, sales and services workers" (3.6). This difference in household size prevented some of the households of enterpreneurs and farm operators from dropping into lower income classes and kept some of the households of "professional, technical and administrative workers" and "clerical, sales and services workers" in the lower income classes.

Thus the difference in household size made the income gap between the top and second deciles large enough to prevent an equalization of income distribution.

The changes of the household shares in decile groups showed a similar pattern of change to that found in the case of per capita household income. In Bangkok, the share of "professional, technical and administrative workers" and "clerical, sales and services workers" in the top decile rose sharply from 1986 and 1988; and this group seems to be the emerging "middle income class," as pointed out in the previous section. At the same time the old type rich and middle income groups remain in the top decile, which exacerbates the income inequality.

Per capita household income may indeed be a superior indicator to household income in that it eliminates the effect of household size. It is derived by dividing household income by household size. A rich household with many children may fall into a lower income class, in which case the per capita household income may differ from what people perceive. This gap may be reflected in the gap between the Gini coefficient of per capita household income and what people perceive concerning income inequality.

Thus if we use household income as a measure of income inequality we cannot conclude that Thailand has already passed Kuznets' turning point.

III Regional Gap in Income Distribution

A. Regional Gap in Household Income

In the previous section it was shown that income inequality worsened from 1981 to 1986 but that from 1986 to 1988 the trend is not clear. In this section we shall investigate income inequality from the viewpoint of regional income gap, which is an important aspect of income inequality in Thailand. The regional gap in Thailand is striking because of the contrast between growing industrial Bangkok and the stagnant agricultural Northeast.

Table 9 Per Capita Gross Regional Product (GRP) and Household Income (at current prices)

(Northeast=100)

	Household income			Per capita GRP		
	1981	1986	1988	1981	1986	1988
Northeast	100	100	100	100	100	100
North	115	122	111	161	151	160
South	130	143	129	194	183	190
Center	146	157	138	269	269	270
Bangkok	238	272	257	678	690	769
Whole Kingdom	134	142	134	239	242	258

Source: [NSO *1981, 1986, 1988*].
[NESDB *1991*].

Note: Bangkok and the Center are defined differently for household income and per capita GRP. The provinces of Samut Sakhon and Nakhon Pathom are included in the Center for the household income but in Bangkok for per capita GRP.

In terms of household income it is very clear that regional income gap increased from 1981 to 1986 and then decreased from 1986 to 1988, which is consistent with the equalization from 1986 to 1988 indicated by per capita household income. Table 9 shows that the average household income of Bangkok was 2.4 times that of the Northeast in 1981, increased to 2.7 times in 1986, then decreased slightly to 2.6 times in 1988. The same trend can be seen between the Northeast and the other regions, namely, the North, the South and the Center. Thus it can be said that income gap between the Northeast and the other regions increased from 1981 to 1986, then decreased from 1986 to 1988. The per capita household income, not shown in the table, displays the same trend, although the regional gap is slightly larger. In this sense the data of household income and per capita household income are consistent.

This result seems to support the per capita household income and not the household income data concerning equalization from 1986 to 1988. Is this result inconsistent with the inequalization of household income from 1986 to 1988? Some inequality indexes can be divided into an interregional component and the intraregional component.[14] The argument mentioned adove on the regional income gap is related with the interregional component of income inequality. The increase in income inequality in terms of household income implies that the intraregional component of income inequality incresased to offset the effect of the decreasing interregional component. But in fact the intraregional income inequality did not increase except for Bangkok in this period (Table 10). From 1981 to 1986 regional Gini coefficients increased for every region, which means that the inequalization in the whole kingdom in the early 1980s involved an inequalization of income distribution in every region. Thus, in this period, both the inter- and intra-regional components affected income distribution adversely.

From 1986 to 1988, however, the Gini coefficients did not increase, in other words, income inequality did not worsen, in any region but Bangkok. This is partly due to the recovery of

Table 10 Gini Coefficients by Region

	1981	1986	1988
Northeast	0.411	0.422	0.419
North	0.430	0.438	0.435
South	0.423	0.466	0.442
Center	0.410	0.433	0.424
Bangkok	0.422	0.454	—

Source: [Ikemoto 1991: 63] for 1981 and 1986.
Estimated from [NSO *1988*].
Note: Distribution of household income is used. Data of Bangkok for 1988 is not suitable for estimation of the Gini coefficient.

14) Some inequality indexes, such as the Theil index, can be divided into two components, that is, a between-group (or intergroup) component and a within-group (or intragroup) component. The former is the inequality when there is no inequality within each group and the latter is a weighted average of inequality within each group. For the mathematical exposition of this decomposition, see Appendix A of Ikemoto [1991].

agricultural production, which raised the income level of the lower income class of these regions. And it may be partly due to the transfer of income from urban areas, especially from Bangkok. In the case of Bangkok, however, we cannot estimate the Gini coefficient because the report of the 1988 Socio-Economic Survey does not present detailed data for the higher income class. This is because the income level of Bangkok is so high that a large proportion of households are included in the top income bracket. In the report, the highest income bracket, namely, over 11,000 baht, includes 19.8% of households; and therefore we cannot estimate the income share of the top and second deciles because there is no way to divide this group into the top and second deciles [NSO *1988*: 82].[15] Even though we cannot estimate income inequality in Bangkok directly, we can infer it from other components of income inequality. The increase in overall inequality and the decrease in the interregional component indicate that the intraregional component increased. Since the intraregional component is a weighted average of regional inequality, the increase in the intraregional component and the decrease in regional inequality in all regions but Bangkok implies that income inequality in Bangkok increased rapidly enough to offset the equalizing factors. This is supported by the fact that the higher income classes benefitted most from economic growth while the incidence of urban poverty increased, especially in the municipal areas of five provinces in the vicinity of Bangkok, where it increased from 6.1 percent in 1986 to 10.8 percent in 1988 (Table 2). At present we cannot tell directly whether income inequality in Bangkok really increased; and the hypothesis that it did should be analyzed in the future.

B. Regional Gaps in Household Income and GRP

One serious gap in the study of income distribution in Thailand is that between household income and gross regional product (GRP). Table 9 compares the two series of regional gaps, one is in terms of household income, the other in terms of per capita GRP. First, the level of these regional gaps is different. That in terms of per capita GRP is much higher than that in terms of household income. For example, the gap between Bangkok and the Northeast is between 6.8 and 7.7 times in terms of per capita GRP, but much lower, between 2.4 and 2.7 times, in terms of household income. This indicates that GRP exaggerates the regional income gap. Second, the changes in the series are in opposite directions. In terms of per capita GRP, the gap between the Northeast and other regions increased only for Bangkok from 1981 to 1986, but increased rapidly for all regions from 1986 to 1988. These changes in per capita GRP lead to the opposite conclusion to the change in household income, that is, that regional income gap decreased from 1981 to 1986, then increased until 1988. Thus it becomes increasingly problematic to use per capita GRP in the study of regional income gap.

The conclusion drawn from the analysis of household income that the recovery of the agricultural sector reduced income inequality is not directly supported by the share of agriculture in GRP. First, the share of agriculture in GRP seems to be too low to affect the

15) This occurred because the level of household income increased while the income brackets remained fixed. The income brackets should be revised in line with the increase in the level of income.

Table 11 Share of Agriculture and Manufacturing in GRP (%)

	Agriculture			Manufacturing		
	1981	1986	1988	1981	1986	1988
Northeast	34.5	28.7	28.4	7.0	5.9	6.6
North	39.1	28.3	32.4	7.4	6.0	6.4
South	35.5	34.2	37.7	7.3	5.4	5.3
Center	28.1	20.2	21.5	19.0	22.3	20.3
Bangkok	4.9	3.4	3.1	37.5	38.6	40.3
Whole Kingdom	21.4	16.3	16.6	22.3	23.6	24.8

Source: [NESDB 1991].

level of regional income. Namely, the share of agriculture both in GDP and GRP has decreased steadily over the past three decades, and the share of agriculture in GDP decreased to only 12.4 percent in 1990. Even in the Northeast it decreased to 28.4 percent in 1988 (Table 11). Second, the regions that benefitted from the recovery of agricultural sector were the North, South and Center but not the Northeast. In the Northeast the share of agriculture remained at the same level between 1986 and 1988.

This argument, however, takes only the direct impact into consideration. We should analyze how crop prices affect household income not only directly but also indirectly. Though the share of agriculture may be small, we have to take the linkage between agriculture and non-agriculture into consideration. As the report of the World Bank pointed out, in regions other than Bangkok the increase in the share of the non-agricultural sector, and the corresponding decrease in the share of the agricultural sector might be based on a multiplier effect of rapid agricultural growth rather than on factors or policies fostering the growth of off-farm activities independent of agricultural growth (cited in [Sussangkan *et al.* 1988: 58–59]). This means that even though the share of agriculture may be small and may not increase, an appreciable part of non-agricultural production may be created by the agricultural sector through the multiplier effect; and that, therefore, we should not underestimate the importance of the agricultural sector. If this is true, the recovery of the agricultural sector in 1988 would have signifcantly improved the income distribution.

Due to this small share of agriculture in GDP and the large share of farmers in the labor force, the productivity gap between the agricultural and non-agricultural sectors was about 10 times in 1986 and 1988 [Hutaserani and Tapwong 1990: 2b]. But this does not indicate that the average per capita household income of non-agricultural households is 10 times that of agricultural household as shown in Table 5. We should take working hours into consideration. Farmers do not necessarily devote all their work hour to agriculture. In the Northeast, the farmers earn more than half of their income from non-agricultural activities [Phipatseritham 1985: 266]. Thus the productivity gap explains only a part of the household income gap between the agricultural and non-agricultural sectors.

Regarding the manufacturing sector, its share in GRP increased only in Bangkok and

remained stable in other regions (Table 11). These changes in the shares of manufacturing and agriculture correspond to the widening gap between regions in terms of per capita GRP.

One reason why household income and GRP differ so much is that the latter includes depreciation, corporate income, indirect taxes and government revenue from property, etc. These factors are not counted as household income. If these factors were distributed proportionately among regions, the differences between household income and per capita GRP would be reduced. But actually the corporate sector and its transactions are concentrated in Bangkok and, therefore, these factors of income are also concentrated in Bangkok. This makes the GRP of Bangkok much higher than that of other regions and the income gap between regions much larger. In other words, the proportion of GRP which is not distributed in the household sector is much higher in Bangkok than in other regions and the gap in household income between regions is much smaller than per capita GRP indicates.

Another difference is that the value added of an enterprise is attributed to its headquarters office.[16] This means that, for example, if an enterprise has its headquarters office in Bangkok and engages in productive activities in other regions, the value added of these activities is treated as value added of Bangkok. In practice, this is the dominant case, while the reverse case is minor. Thus more value added than is actually accrued in Bangkok is attributed to Bangkok, while in other regions these amounts are deducted from their own gross regional products. Thus this factor also leads to overestimation of the GRP of Bangkok and underestimation of the GRP of other regions, and thereby exaggerates the regional income gap.

By contrast, household income tends to understimate the regional gap because it includes inter-regional transfer of income. For example, if people temporarily migrate to Bangkok to work and send income back to their home town, this transfer income is attributed to the household income of their own region and not to Bangkok, even though the income is accrued in Bangkok and therefore included in the GRP of Bangkok. The importance of this transfer of income is reflected in the share of transfer income from urban areas to rural areas. In 1986 "the net rural-bound income transfer ("transfer in" minus "transfer out") amounted to a fairly large proportion of rural household money income. Specifically, the net transfer amounted to around 8% to 9% of total rural household money income in the North, Northeast and Central Regions" [Sussangkarn *et al.* 1988: 48]. In fact, since non-money income accounts for one third of the total income in rural areas, the proportion mentioned above should be discounted; but still it remains an important source of income in rural areas. Thus the interregional transfer income raises household income in regions except for Bangkok and therefore reduces regional income gap.

Thus it is evident that the regional income gap measured by household income can be entirely different from that measured by per capita GRP. What we require to bridge this difference is what might be called an interregional balance of payments. The balance of payments of interregional transactions may be constructed analogously to the conventional balance of

16) See [IBRD 1980: 9].

payments of international transactions. And it should cover the above-mentioned differences between household income and per capita GRP, that is, the distribution of GRP, flow of products to the headquarters office, transfer income, etc. When this interregional balance of payments becomes available, we can analyze regional income gap more correctly.

Like the interregional transfer of income, we should also consider interregional migration if we are to understand income distribution correctly.

IV Interregional Migration and Poverty Incidence

The importance of migration in the study of income distribution has been emphasized. For example, Sussangkarn *et al.* [*ibid.*: 38] mentioned that "it would be quite misleading to analyze growth, income distribution, and poverty without consideration to migration—particularly an emigration out of rural areas." Ashakul, C. and Ashakul, T. emphasized the important role of growing Bangkok in solving the problems of income distribution [Ashakul, C. 1991: 506; Ashakul, T. 1989]. Ikemoto [1991: 43–56] analyzed the impact of migration from rural areas to urban areas on income inequality. Actually, the migration from rural to urban areas can increase or decrease income inequality depending on whether pushing factors or pulling factors are dominant. Therefore, we must take into consideration the circumstances behind the migration.

The increase in the incidence of poverty from 1981 to 1986 is often attributed to decreasing crop prices and deteriorating agricultural production. But this cannot explain why the incidence of poverty in urban areas (municipal areas) decreased from 7.5 percent to 5.9 percent (Table 2). Non-agricultural sectors also suffered from the worldwide recession in this period and this might have also increased the incidence of poverty in urban areas. That urban poverty actually decreased may have been due to the migration of urban poor to their home towns in rural areas as a result of the recession of the urban economy. It has been noted that "although the Bangkok Metropolis was still the largest migration destination attracting increasingly larger and larger numbers of migrants from all other regions, the outflow of migrants from Bangkok particularly to its surrounding provinces and to the Northeast increased even more rapidly" [Ashakul, T. 1989: 8–9]. The migration between rural and urban areas, shown in Table 12, also suggests this trend. Until the 1970s, rural-rural migration was

Table 12 Urban-Rural Migration (%)

Migration Stream	1965–70	1975–80	1979–84	1983–88
Rural to rural	71.6	56.0	40.4	35.9
Rural to urban	12.0	15.4	23.8	22.9
Urban to rural	6.2	10.1	22.1	28.6
Urban to urban	10.2	18.5	13.7	12.6
Total	100.0	100.0	100.0	100.0

Source: [Ashakul T. 1989: 8].

dominant and accounted for more than 50 percent of all migration; but since then its importance has decreased. On the other hand the share of the migration from rural to urban areas and from urban to rural areas has increased. Urban-rural migration increased particularly rapidly in the 1980s and came to account for nearly 30 percent of all migration. The increase in urban-rural migration in the period 1983–88 may include migrants attracted by pulling factors, that is, the recovery of agriculture. Ashakul [*ibid.*: 9] mentioned that "it is possible that out-migrants from Bangkok consist largely of returned home migrants who migrated back to upcountry during the last 2–3 years in response to increases of agricultural product prices, namely rice, maize, and cassava." Though Ashakul claimed that the pull of agricultural sector largely accounted for the out-migration, agricultural product prices recovered only after 1987 and the out-migration from urban to rural areas had already increased in the period 1979–84. Undoubtedly, the urban-rural migration between 1983 and 1988 was due in part to the recovery of the agricultural sector; but a larger part of the migration might be due to the pushing factor of the urban areas, that is, the recession of the urban economy.

This hypothesis may appear to contradict the view of Sussangkarn *et al.* [1988: 39] that "while rapid increase in urban wage is likely to stimulate fairly large rural-to-urban migration, increase in urban unemployment appears to have negligible effect to deter in-migrants from rural areas." But this view relates to migration as a whole while our hypothesis relates to migration by the poor. If this hypothesis is correct, the analysis of Jitsuchon seems to be too optimistic. He mentioned that urban poverty declined uninterruptedly from 1962 to 1986 and that "this implies that not only are most urbanites relatively free from the adverse impact of crop price fluctuations, but that they also were able to increase their standard of living during the economic slump" [Jitsuchon 1989: 15]. This argument neglects the effect of migration. If our hypothesis is true, it means that the urban poverty of 1986 was relieved by pushing urban poor back to rural areas and not by raising their standard of living. This case indicates the importance to include migration in the analysis of poverty and income distribution.

The increase in the incidence of urban poverty from 5.9 percent in 1986 to 6.7 percent in 1988 (Table 2) should also be analyzed from the viewpoint of migration. This increase at a time when the urban economy grew rapidly is related to migration from rural to urban areas. This point is mentioned by Hutaserani and Tapwong [1990: 12], who state that "such a higher percentage of the urban poor might be accounted for by the increasing number of new migrants heading for the city to take advantage of the recent economic boom." Sussangkarn *et al.* [1988: 56] pointed out that "a slight deterioration of rural wages and income in relative to those in urban areas would likely induce a fairly large rural-to-urban migration as income elasticities of rural-to-urban migration are quite elastic." Therefore, it is likely that when job opportunities become bright, rural people migrate to urban areas.

This seems to suggest that the poor who returned to the rural areas when the urban economy was in recession came back to the urban areas when urban economy recovered.

Conclusion

This paper has discussed some of the discrepancies in the study of income distribution in Thailand. The first discrepancy is between the distribution of per capita household income, which indicates decreasing income inequality from 1986 to 1988, and that of household income, which indicates increasing income inequality. This discrepancy was investigated by analyzing the occupational structure of the higher income classes. In this analysis, the characteristics of the "middle income class" which has been emerging since the mid-1980s were also discussed. This so-called emerging "middle income class," which participated actively in the democratic movement, belongs to the top decile, contrary to the implication of the word "middle." Even though this "middle income class" may occupy the middle ground in urban areas, they are included in the top decile because the share of urban households in all households is small and they are concentrated in the higher income class.

The second discrepancy, which is related to the first, is that the inequality index estimated from income distribution data may differ from popular perception. This was the case with the distribution of per capita household income between 1986 and 1988.

The third discrepancy is the well-known one between the regional gaps in terms of the gross regional product (GRP) and household income, of which the former is much bigger. Moreover, the directions of change of these two measures of regional income gap are opposed. Therefore, we must be careful in using GRP in the study of regional income gap. To link the GRP and household income, what might be called an "interregional balance of payments" is required.

The fourth discrepancy relates to migration. A study of income distribution without considering migration will bring about this discrepancy, especially when structural change is occurring. Therefore, migration should be taken into account in the study of income distribution in Thailand in the future.

Concerning the future trend of income inequality in Thailand, Section II referred to the hypothesis that there is a turning point in income inequality after which income inequality will decrease. Income inequality in Thailand has been on an upward trend for the past three decades, and it was predicted that Thailand will pass the turning point in the latter half of the 1990s. In view of the growing urban economy and the labor shortage in rural areas, this prediction is not unreasonable. The equalization from 1986 to 1988 in terms of per capita household income does not seem to have been the turning point, because from 1988 to 1990 agricultural production decreased and income inequality seems likely to increase again.

Lastly, as mentioned in Section II, it is the second and third deciles that brought about the equalzation in terms of per capita household income. This means that equalization of income distribution does not necessarily indicate an improvement in living conditions of the poor. Therefore we must be careful about the characteristics of this inequality index.

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